

facilities or any other change which has an impact on production costs; or

- (3) any other unpredictable circumstances that affect the Production Cost Allowance Matrix; or
  - (4) based upon a regular annual review by Hormel Foods, the Cost Allowance Matrix is determined to no longer accurately reflect hog production efficiencies and costs.
- (c) Hormel Foods will agree to continue paying Producer on a guaranteed minimum basis for the entire term of the Agreement.
- (d) Every Monday morning the "contract price" for hogs delivered to Hormel Foods during the upcoming week will be determined as follows: (Refer to Exhibit A for an example.)
- (1) The daily average of the prior week's (Monday-Friday) 11:00 a.m. Hormel Foods' Grade & Yield, plant delivered meat prices will be calculated.
  - (2) If the prior week's average price is less than or equal to the guaranteed minimum price, then the guaranteed minimum price becomes the contract price.
  - (3) If the prior week's average price is greater than the guaranteed minimum price, then the midpoint between last week's average price and the guaranteed minimum price becomes the contract price.
  - (4) For hogs delivered to buying stations, the plant delivered contract price will be adjusted by the station delivered freight discount in effect at the time of delivery.

This contract price will then be used in connection with Hormel Foods' Grade & Yield program in effect at the time of delivery to determine the final amount to be paid to Producer. Grade & Yield premiums and discounts shall be paid to the Producer on the basis of the daily average of the prior week's (Monday-Friday) 11:00 a.m. Hormel Foods' Grade & Yield meat price; see (d), (1) or (4).

- (e) Inspection, sorting and weighing shall be performed by Hormel Foods at the delivery location or the plant. No hogs shall be accepted to fill a contract that weigh less than two hundred ten (210) pounds, or that are crippled, lame, sick, overfilled or otherwise unmerchantable. All hogs shall be priced per Hormel Foods' Grade & Yield program in effect at the time of delivery (Grade & Yield program is subject to change).